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Tuesday, August 7, 1917

An index number of prices shows that one-fifth of the total advance in the food cost of living since the war began has been wiped out by declines in the last few weeks. At the beginning of June, 1917, it required twice as much money to fill the average family's market basket as it did in July, 1914. Now \$1.80 will purchase as much as \$1 would have bought, on the basis of pre-war prices. This is surely encouraging, but the conclusion which has been drawn from these and similar figures, namely, that we may henceforth expect a more or less constant decline in the cost of living, is by no means necessarily correct. The decline which has already taken place is largely seasonal, and is brought about chiefly by lower prices for vegetables, of which a great surplus apparently has been produced. Other food products show comparatively little change. Some are higher than they were when we entered the war, and as the season advances it is altogether likely that prices of most food commodities, and especially meats and vegetables, will work to higher levels, as almost invariably happens. On the whole, there is little prospect that the cost of living will be materially lower the coming winter than it was a year before. It is more probable that it will be somewhat higher.

Here are some facts which have a bearing on railroad securities: The average price of fifteen standard railroad stocks is now about 15 points below the high level of 1916. In the same period the average price of twelve representative industrials shows a net decline of 10 points.

Railroad gross earnings are attaining new peaks each month, and in most cases high records are being established in net. Even the Eastern carriers are making a better showing.

The roads which needed it most have received a substantial increase in rates, all of which will go to swell net earnings.

Railroads are not directly affected by price fixing or by many other uncertainties which becloud the industrial situation. On the other hand, since we entered the war they have made remarkable progress toward eliminating waste and establishing greater efficiency in freight transportation, which cannot fail to have a permanent and decidedly favorable influence on their net earnings.

They have been relieved of worry about the future by the Commerce Commission's assurance that in case of adverse developments high rates would be granted.

It was a very dull session on the Stock Exchange, and uninteresting, save for one thing. The professionals sold industrials—probably they will buy them back in a day or two—and bought rails. The selling of industrials had little or no significance, but the buying of rails aroused comment, because it was accompanied by reports that investors have been quietly accumulating standard transportation issues for the last week or ten days.

Wall Street has been saying for some time that the decline in Studebaker had discounted any action which the directors might take on the question of dividends. Apparently, this view was well founded, for, following the announcement that the dividend rate had been cut from 10 to 4 per cent, the stock closed with a fractional net gain. It is not at all improbable, however, that those on the "inside" made substantial profits while the "discounting" process was under way. Those concerned certainly made no attempt to inform the public of the company's condition.

American Loan Campaigning
As It Looked in England

From the more detailed accounts now received here of the June campaign for the Liberty Loan in the United States, it is evident that our own War Savings Committee has a good deal yet to learn from American methods. We cannot but be impressed by the way in which all the American banks, and, indeed, every financial agency that could be utilized for the purpose, were actively and willingly brought into a veritable network for catching the American investor. And this organization, once started, is being kept in being and improved upon in order that each recurring issue may be pushed with even greater effect. For instance, the war loan committee of the American Bankers' Association sent out, on its own account, to 20,000 banks and trust companies throughout the country "nearly one and a half million pieces of printed matter," including "plans for the organization of committees and for training personal solicitors, as well as large and small units of industrial and other

branches of activity." But, not content with this, it has since "followed up" by sending to all these 20,000 financial institutions long lists of questions as to the results obtained, with further suggestions for getting hold of new subscribers for the next loan, and the committee intends to tabulate the replies and make them the basis for the next campaign. To what extent, we wonder, are our own banks pushing the sale of our Exchange bonds on any similar lines?

Or, again, take the American stock exchanges. Unlike the London institution, their members can advertise for customers, and thus can make themselves active salesmen of the national war bonds to an extent impossible according to our practices. We are especially interested, moreover, to notice how the New York Stock Exchange committee has used its powers to prevent sales of the bonds at a discount. On the first day of dealings in the bonds it was reported to the committee that a sale had been effected in the market under par, and it held an investigation at once. It was suspected that "pro-German" influence had been at work, but it reported that this had been disproved. It announced, however, that it had discovered the unpatented seller, and that, as the result, he was not only "repentant," but had bought back his bonds at par and given \$100,000 to the Red Cross Fund! This strikes us as smart work on the part of the New York Stock Exchange committee, and it certainly shows how such a body may support the market for a national war loan merely by making unpatented selling a matter for which "repentance" will promptly be exacted. If the London Stock Exchange committee took this line with their members it would be interesting to see the effect on the market for our own war loan.

The London Times.

Money and Credit

Money rates showed little change in the local market yesterday. At the Stock Exchange call loans ruled at 2 1/2 per cent.

In the market for time loans, based on Stock Exchange collateral, rates on the shorter maturities continued fairly easy. Rates on the longer maturities were firm, on the other hand, owing to the scarcity of offerings.

Ruling rates for money yesterday, compared with a year ago, were as follows:

	Yesterday.	Year ago.
Call money.....	2 1/2%	2 3/4%
Time money (mixed collateral):		
60 days.....	4 1/4 to 4 1/2%	3%
90 days.....	4 1/4 to 4 1/2%	3 1/4 to 3 1/2%
4 months.....	4 1/4%	3 3/4%
6 to 6 mos.....	4 1/4%	3 3/4%

Commercial Paper.—Trading was dull yesterday, with the bulk of the business moving on a 5 per cent basis.

Official rates of discount of each of the twelve Federal districts are as follows:

	Days	Over	Over
	15 or less	15 up to 30	30 up to 60
Boston.....	3/2	4	4
New York.....	3/2	4	4
Philadelphia.....	3/2	4	4
Cleveland.....	3/2	4	4 1/2
Richmond.....	3/2	4	4 1/2
Atlanta.....	3/2	4	4 1/2
St. Louis.....	3/2	4	4
Minneapolis.....	3/2	4	4 1/2
Kansas City.....	4	4 1/2	4 1/2
Dallas.....	3/2	4	4 1/2
San Francisco.....	3/2	4	4 1/2

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges.	Balances.
New York.....	\$50,851,520	\$7,453,314
Baltimore.....	7,068,567	865,408
Chicago.....	35,939,791	5,370,408
Philadelphia.....	77,288,838	4,992,592
St. Louis.....	46,014,144	6,789,077

Sub-Treasury.—New York banks gained from the Sub-Treasury \$6,275,029.

Silver.—Bars in London, 4 1/4d; New York, 8 1/4 cents; Mexican dollars, 6 1/4 cents.

London Money Market.—LONDON, Aug. 7.—Money and discount rates were quiet and steady to-day. Money loaned at 4 per cent. Short bills were quoted in the discount market at 4 1/2 per cent.

Bank of Germany.—BERLIN, via London, Aug. 7.—The statement of the Imperial Bank of Germany, issued July 31, shows the following changes, in marks:

Total coin and bullion.....Inc.	261,000
Gold.....Inc.	710,000
Treasury notes.....Inc.	18,635,000
Notes of other banks.....Dec.	989,000
Bills advanced.....Inc.	538,166,000
Discounts.....Inc.	244,000
Investments.....Inc.	6,452,000
Other securities.....Inc.	53,868,000
Notes in circulation.....Inc.	223,178,000
Deposits.....Inc.	365,520,000
Other liabilities.....Inc.	30,288,000
Total gold holdings.....Inc.	2,402,195,000

The Dollar in Foreign Exchange

Foreign exchange rates fluctuated irregularly yesterday without definite trend. French and Italian bills declined, while Swiss francs went to a new high record rate of 4.46 to the dollar. Scandinavian exchanges were also strong, crown cables on Stockholm an rising from 33.25 cents to 33.90. Russian rubles were firmer.

Closing rates yesterday, compared with a week ago, are given in the table below. American bankers have sus-

pected all dealings in German and Austrian exchange, so that daily quotations for either marks or kronen are no longer available.

	Yesterday.	Week ago.
(Quoted dollars to the pound.)		
Sterling, demand.....	\$4.75 1/2	\$4.75 1/2
Sterling, sixty days.....	4.72 1/2	4.71 1/2
Sterling, cables.....	4.76 1/2	4.76 1/2
Sterling, ninety days.....	4.70 1/2	4.69 1/2
(Quoted units to the dollar.)		
Francs, demand.....	5.76 1/4	5.76 1/4
Francs, cables.....	5.75 1/4	5.75 1/4
Lire, checks.....	7.33	7.24
Lire, cables.....	7.32	7.23
Swiss, checks.....	4.17	4.17
Swiss, cables.....	4.45	4.52

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic value of the same, as calculated by the United States Mint:

	Current value.	Intrinsic value.
Pounds, sterling.....	\$4.75 1/2	\$4.86 1/4
Francs.....	0.17 3/4	0.19 3/4
Guillemots.....	0.02 1/2	0.04 1/2
Rubles.....	0.21 1/2	0.51 1/2
Lire, checks.....	0.13 7/8	0.19 3/8
Crowns (Denmark).....	0.30 00	0.26 8
Crowns (Sweden).....	0.33 00	0.26 8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, \$4.75 1/2. The intrinsic parity is \$4.86 1/4 per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

Relevant Facts

Bradley Copper.—July production of copper amounted to 6,650,000 pounds, compared with 5,002,000 pounds in June, 6,750,000 pounds in May and 2,760,000 pounds in July, 1916.

F. W. Woolworth.—Total sales for July were \$7,174,857, an increase of \$654,044 over that month in the year preceding, and for the seven months ended July 31 sales totaled \$48,683,450, a gain of \$4,961,223.

Dividend Disbursements.—An extra dividend of \$1 a share has been declared by the Copper Range Mining Company and the regular quarterly payment of \$1.50 a share, payable September 15 to stockholders of record August 22.

Directors of the Quaker Oats Company yesterday declared a quarterly dividend of 3 per cent on the common stock, payable October 15 to stockholders of record October 1. Previously this issue has been on a 10 per cent basis. The regular quarterly dividend of 1 1/2 per cent on the preferred stock was also declared, payable November 30 to stockholders of record November 1.

Miami Copper.—J. Parke Channing, vice-president of the company, said yesterday that Miami's production for June amounted to 3,349,000 pounds of copper, but since that time no further production has been made. Mediation proceedings have been underway for some time between the company and the officials, but to date nothing definite has resulted. There is a good foundation to believe that the miners will return at the Globe mine during the current week, but at the when operation will be resumed at the Miami and Inspiration mines.

Consolidated Arizona Smelting.—Report for the six months ended June 30, 1917, shows total copper production of 9,480,000 pounds, 4,283 ounces of gold and 112,626 ounces of silver, of which 4,131,000 pounds of copper for the first half of 1916, 2,481 ounces of gold and 57,691 ounces of silver.

S. H. Kress.—Sales for July totaled \$1,190,397, an increase of 14 1/2 per cent over that month in 1916. For the seven months ended July 31 sales were \$8,096,431, a gain of 14 1/2 per cent over the corresponding period a year ago.

Kennecott Copper Corporation.—Copper production for July shows a substantial decrease from recent months, owing to the strike of miners on the company's property which began June 16. Total output for the month was 2,850,000 pounds, compared with 5,848,000 pounds in June, 7,208,000 in May and 10,750,000 pounds in July, 1916. It was announced yesterday that the strike has been settled to the satisfaction of the company and that the men are returning to work.

Electric Auto-Lite.—This company has sold to the National City Company \$5,000,000 6 per cent one and two year notes, dated August 15, and which \$2,000,000 are due in 1918 and \$3,000,000 are due in 1919. The notes are secured by \$12,500,000 Willys-Overland common stock, \$1,000,000 Federal Reserve second preferred and \$1,000,000 Federal Reserve second preferred stocks.

Shattuck Arizona Copper.—The July report of production shows that output of copper amounted to 2,058,000 pounds, 104,044 ounces of gold and 3,214 ounces of silver. In June the company produced 956,396 pounds of copper, 150,393 ounces of lead, 11,213 ounces of silver and 148 ounces of gold.

Reading Transit & Light.—Bonbright & Co. have purchased an interest of 22.300,000 shares of the company, subject to approval of the Public Service Commission of Pennsylvania. The issue is to provide in part for acquisition of all the outstanding common stock of the Reading Transit Company, of Reading, and Lebanon, and the traction property of the United Traction Company.

Alaska Gold Mines Corporation.—Reports for the quarter ended June 30 last total operating profits of \$114,234, compared with \$113,043 in the preceding three months. Charles Hayden, president of the company, says the tonnage mined during the quarter, averaging better than 7,000 tons per day, shows the best results obtained for any quarter since the beginning of operations. A total of 235,221 tons of ore were broken in the mine and 839,214 were trammed to the oreways, leaving a total of 1,234,509 tons of broken ore in the stopes. During the quarter a shortage of labor, principally miners, was experienced, thereby curtailing operations, especially during June. An average daily tonnage of 7,062 tons was milled during the quarter, being the best average tonnage since the start of operations. The capacity of the mill has been increased from 8,500 tons to 10,000 tons per day.

Studebaker Corp.
Cuts Dividend on
Common to 4 P. C.War Causes Decline in Sales
of Automobiles—Large
Government Orders

The common stock of the Studebaker Corporation, which during the war boom period of 1915 sold up to 136, was placed on a 4 per cent annual basis by the directors, who met yesterday at South Bend, Ind., for action on the dividend. During 1916 and up to the present the stock has been paying 10 per cent.

Reduction of the rate was expected in Wall Street, as the decline in the price of the stock, which began early this year, had foreshadowed such action. The only question was the extent of the cut. The high price for the stock in 1917 was 110 1/2, established in January. Since that time it has fallen steadily, the low of the year, 5 1/4, having been reached on July 27. After the announcement yesterday of the reduction in the dividend it broke to 8 1/4, but later rallied to 8 3/4, the closing quotation. In announcing the reasons for the cut in the dividend rate A. R. Erskine, president of the company, said:

"The directors feel constrained to reduce the dividend on the common stock on account of the uncertainties of the future and the consequent necessity of conserving working capital."

Net profits of the company for the first six months of this year, he stated, amounted to \$2,968,198, after deduction for existing corporation income taxes, but without provision for excess profit taxes about to be enacted by Congress. Mr. Erskine added: "The sales of automobiles in the first quarter of this year exceeded those of any previous similar quarter, but upon the entrance of our country into the war the sales declined, and our second quarter was unsatisfactory. Factory production schedule was changed in May to conform with the reduced volume of business, and we are now operating on a 65 per cent schedule, as compared with last year. The effect of reduced volume in quantity production increases overhead costs, and when coupled with the existing high cost of materials and labor is damaging to the profits of the business. Since July 1 sales of cars have improved, and the present demand is for about 1,000 cars per week."

Capacity Business in Vehicles

"The regular business in the vehicle division for the first six months was excellent, and promises to continue heavy throughout the year. In addition thereto we have received orders from the government for large quantities of escort wagons, ambulances, drinking wagons, harness, etc., with the result that our vehicle factories will operate to the limit of their capacity as far as the next year."

The condensed balance sheet of the corporation and subsidiary companies as of June 30, 1917, shows total tangible assets of \$55,400,000, including \$41,100,000 of fixed assets and \$14,300,000 of plant and company account, which stand against \$15,300,000 of liabilities, including \$13,200,000 of bank loans. Since June 30 outstanding bank loans have been reduced to less than \$11,000,000.

The total tangible assets of the corporation are greater than ever in its history, while its bank loans are no more than they have been several times in previous years."

Bank of Spain Has
Huge Gold Reserve

MADRID, Aug. 7.—The newspaper "Epoch" expresses satisfaction at the Bank of Spain's returns up to August 4, the gold reserve showing 1,717,000,000 pesetas (approximately \$350,000,000), of which 56,000,000 pesetas were received last week and 27,000,000 the preceding week. The total metallic reserve is 2,558,000,000 pesetas (\$510,000,000). The paper money issued amounted to 2,584,000,000 pesetas (\$515,000,000), making the metallic guarantee about 98 per cent.

Spain is one of the neutral countries of Europe that has been literally swamped with gold as a result of its war prosperity. The United States has been the heavy contributor to the Spanish gold store in recent months, millions of dollars in metal having been exported to Madrid to settle English and French obligations in that market. So much gold has been received there that the Bank of Spain is accepting American gold only at a discount of between 6 and 7 per cent in an effort to check the influx. About a year ago the Spanish bank initiated the practice of buying gold at a discount, commencing with a charge of 1 per cent. But by degrees it increased the discount, until now it stands at something more than 6 per cent on American gold eagles and 2 per cent on English sovereigns. The discrimination in favor of sovereigns as against American gold coin is due to their greater acceptability in Spain. The bank is under no legal requirement, as is the Bank of England, to purchase at a minimum rate all gold tendered it, but may impose whatever price it sees fit.

Significant Relations

Money and Prices:	Now	A year ago.
Stock of money gold in the country.....	\$3,088,711,272	\$2,331,494,834
Loans of all national banks.....	\$8,815,000,000	\$7,677,000,000
Their surplus reserve.....	842,000,000	801,000,000
Bills discounted and bought by Federal Reserve Banks.....	\$305,131,000	\$109,934,000
Federal Reserve notes in circulation.....	540,785,000	152,787,000
Total gold reserves.....	1,367,675,000	477,169,000
Average price of 15 railroad stocks.....	108.11	106.02
Average price of 12 industrial stocks.....	97.90	98.50
Food cost of living (Annalist index number).....	262.429	261.254
Production:		
Unfilled U. S. Steel orders, tons.....	11,383,287	11,885,591
Pig iron (daily average), tons.....	109,002	110,238
Active cotton spindles.....	33,463,946	33,459,169
Wheat crop, bushels.....	639,886,000	1,012,000,000
Corn crop, bushels.....	2,593,241,000	3,055,000,000
Cotton crop, bales (exc. linters).....	11,356,944	11,068,173
Net shortage of freight cars.....	105,127	148,627
Net surplus of freight cars.....		33,361
Gross railroad earnings.....	-16.9%	+16.4%
Bank clearings.....	+17.5%	+28.7%
Commercial failures.....	1,137	1,186

Government Will
Finance Airplane
ManufacturersAgrees to Provide Working
Capital, So That Output
May Be Increased

In order to speed up the production of airplanes for war purposes, the authorities at Washington have agreed to adopt a liberal policy toward those companies that may need additional working capital to carry out the programme involving the expenditure of more than \$500,000,000 by the government.

An official of the Wright-Martin Aircraft Corporation said yesterday that the government had signified its willingness to advance his company whatever was needed to increase its output up to the requirements of the War Department.

From 4 to 50 a Day
"Our objective in this connection," stated this official, "is to increase our output of airplane motors for war purposes up to fifty a day. Now we are making them at the rate of only four a day."

It was reported in Wall Street that the Wright-Martin company was to receive an immediate advance of \$11,000,000 from the government.

The policy of the government in making advances to aircraft companies was viewed with favor in the financial district, as it will obviate the necessity of borrowing in the open market through the issuance of securities to carry out the plans of the Allies to win the war in the air.

Produce Standard Motor

The Hispano-Suiza motor, one of the products of the Wright-Martin company, is the standard for the French and Russian governments along the battle front. The United States is sending to purchase large numbers of these motors, which, of course, can only be built by the Wright corporation, as the sole licensee in this country by grant of the French government. These motors are said to excel in efficiency and to possess more power a pound weight and consume less gasoline than the foreign make.

Treasury Notes
Are Oversubscribed

Terms of Next Liberty Loan Will Be Announced Soon

WASHINGTON, Aug. 7.—The Treasury's offer of \$300,000,000 in certificates of indebtedness maturing November 15, first financing under the projected second offering of Liberty bonds, was largely oversubscribed when subscriptions closed at 3 p. m. to-day.

The offering